

Message Text

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PAGE 01 STATE 134089
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AMEMBASSY BUCHAREST

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MTN FOR CULBERT

E.O. 11652: GDS

TAGS: ETRD, HU

SUBJECT: HOUSE APPROVES HUNGARIAN TRADE AGREEMENT BY CLOSE
MARGIN

REF: STATE 129941 (NOTAL)

1. SUMMARY: CONFRONTED WITH UNEXPECTEDLY STRONG OPPOSI-
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PAGE 02 STATE 134089

TION, VANIK AND FRENZEL LED A SUCCESSFUL EFFORT TO GET THE
HUNGARIAN TRADE AGREEMENT THROUGH THE HOUSE ON MAY 22.
THEY WERE SUPPORTED BY STATEMENTS FROM AMMERMAN, HARRINGTON,
FENWICK, AND WEISS. THE OPPOSITION WAS LED BY SCHULZE OF
PENNSYLVANIA. RUDD OF ARIZONA, DORNAN, DERWINSKI, ASHBROOK
AND BAUMAN ALSO SPOKE IN OPPOSITION. THE DISCUSSION CEN-
TERED ON HUMAN RIGHTS AND THE POTENTIAL EFFECT ON US MAR-

KETS, BUT SOME OF THE OPPONENTS WENT FAR AFIELD FOR ARGUMENTS. THE VOTE APPROVING THE CONCURRENT RESOLUTION TO EXTEND MFN TO HUNGARY WAS 209 TO 173. THE SENATE FINANCE COMMITTEE HAS NOT YET ACTED ON THE RESOLUTION; FINAL SENATE ACTION IS NOT EXPECTED BEFORE JULY. END SUMMARY.

2. VANIK'S INTRODUCTORY STATEMENT POINTED OUT THE TRADE BENEFITS THAT THE US COULD EXPECT TO GAIN FROM THE AGREEMENT, AND REVIEWED HUNGARY'S RELATIVELY LIBERAL RECORD ON HUMAN RIGHTS. HE NOTED THAT THE US HAS ONLY SIX DIVIDED

FAMILY PROBLEMS WITH HUNGARY AND THAT FOUR PASSPORTS ARE EXPECTED TO BE ISSUED SOON. AMMERMAN AND HARRINGTON EACH MADE STATEMENTS IN WHICH THEY EXPRESSED CONCERN ABOUT HUNGARIAN LIGHTBULB IMPORTS. HOWEVER, THEY EACH STATED THAT THE ADMINISTRATION HAD PROVIDED SATISFACTORY ASSURANCES CONCERNING THE LIGHTBULBS AND THAT THEY COULD THEREFORE SUPPORT THE AGREEMENT. AMMERMAN SAID THE ADMINISTRATION HAD PROMISED THAT LIGHTBULB IMPORTS FROM HUNGARY WOULD LEVEL OFF AT THE 1976 LEVEL, THAT THE REDUCTION IN TARIFFS WOULD NOT REDUCE THE EFFECTIVE SALES PRICE, AND THAT THERE WOULD BE PROMPT CONSIDERATION OF ANY COMPLAINT THAT MIGHT BE BROUGHT BY DOMESTIC PRODUCERS.

BEGIN COMMENT: THE ADMINISTRATION HAS GIVEN ASSURANCES THAT IT WILL GIVE PROMPT CONSIDERATION TO ANY COMPLAINT RELIMITED OFFICIAL USE

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PAGE 03 STATE 134089

GARDING LIGHTBULB IMPORTS, BUT IT HAS NOT GIVEN THE OTHER ASSURANCES MENTIONED BY AMMERMAN. ACTION-TUNGSRAM, THE IMPORTER, SUBMITTED A LETTER TO VANIK ON APRIL 21 IN WHICH IT STATED THAT "... IF THE TRADE AGREEMENT IS APPROVED BY THE CONGRESS, THERE WILL BE NO DECLINE IN THE EFFECTIVE PRICE AT WHICH HUNGARIAN HOUSEHOLD LIGHTBULBS ARE IMPORTED INTO THE UNITED STATES." IN THE DOCUMENT SUBMITTED WITH THAT LETTER, ACTION-TUNGSRAM ALSO STATED: "TO THE EXTENT FURTHER EXPANSION OF GENERAL HOUSEHOLD LIGHTBULB SUPPLIES ARE REQUIRED, IT IS THE INTENTION OF ACTION-TUNGSRAM, INC. TO FILL SUCH DEMAND WITH LIGHTBULBS MANUFACTURED IN ITS PLANT IN NEW JERSEY ..." THESE ARE THE ONLY ASSURANCES THAT HAVE BEEN GIVEN TO CONGRESS. END COMMENT.

3. SCHULZE SAID THE TRADE AGREEMENT IS INADVISABLE. HE CLAIMED THAT THE HUNGARIANS ARE ALREADY DUMPING LIGHTBULBS AND THAT THEY PLAN TO MOVE TO A SURPLUS BALANCE OF TRADE WITH THE US AS SOON AS POSSIBLE. HE SAID THE LARGEST INCREASES IN HUNGARIAN EXPORTS TO THE US WILL COME IN PRECISELY THOSE PRODUCTS WHICH ARE ALREADY SUFFERING FROM IMPORT COMPETITION; APPAREL, LEATHER GARMENTS, ALUMINIUM OXIDE, LIGHTBULBS AND FOOTWEAR. HE CHARACTERIZED THE AGREEMENT AS

ANOTHER "GIVEAWAY" LIKE THE B-1 BOMBER, THE NEUTRON BOMB AND THE CROWN. SCHULZE SAID THE HUNGARIAN GOVERNMENT DENIES ELEMENTARY HUMAN RIGHTS. HE ASSERTED THAT GIVING MFN TO ROMANIA DID NOT IMPROVE THE HUMAN RIGHTS SITUATION IN THAT COUNTRY. HE SAID HE WAS SHOCKED BY THE SOVIET PERFORMANCE AT BELGRADE, AND CHARACTERIZED HUNGARY AS THE "JOLLIEST CELL BLOCK IN THE SOVIET CONCENTRATION CAMP". RUDD OF ARIZONA AGREED WITH SCHULZE AND NOTED THAT HE HAD JUST READ THAT HUNGARY HAS THE HIGHEST SUICIDE RATE IN THE WORLD. THIS HE SAID INDICATES THAT "HUNGARY IS BEING TRAMPLED UNDER THE HEEL OF THE SOVIET BEAST".

4. DORNAN SAID THE HUNGARIANS HAVE AN "ENEMIES LIST" THAT CONTAINS THE NAMES OF FORMER FREEDOM FIGHTERS WHO ARE NOT LIMITED OFFICIAL USE

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PAGE 04 STATE 134089

ALLOWED TO VISIT HUNGARY. BAUMAN REFERRED TO CUBA AND SOUTH AFRICA AND QUOTED NIKOLAI (SIC) LENIN. ASHBROOK SAID HUNGARY IS AN OCCUPIED COUNTRY WITH FEW BASIC FREEDOMS. DERWINSKI EXPRESSED CONCERN THAT THE TRADE AGREEMENT WAS ANOTHER UNILATERAL CONCESSION LIKE THE RETURN OF THE CROWN.

5. FRENZEL ARGUED THAT THE TRADE AGREEMENT WOULD FURTHER US INTERESTS AND BROADEN THE WORLD TRADING SYSTEM. HE SAID THAT HUNGARY IS THE MOST OPEN OF THE MID-EUROPEAN WARSAW PACT NATIONS. ALLUDING TO CRITICAL COMMENTS MADE EARLIER IN THE DEBATE CONCERNING MFN AND ROMANIA, FRENZEL SAID COMPARISONS BETWEEN ROMANIA AND HUNGARY ARE INTERESTING BUT MEANINGLESS. HUNGARY IS QUITE DIFFERENT FROM ROMANIA IN TERMS OF REPRESSION, IN TERMS OF EMIGRATION, AND IN TERMS OF RELIGIOUS FREEDOM AND GENERAL OPENNESS. HE CHARACTERIZED THE WILLINGNESS TO GIVE ASSURANCES AS AN ACT OF BRAVERY THAT SIGNIFIES HUNGARY'S INTENTION TO TAKE ITS PLACE AMONG OTHER INDEPENDENT NATIONS. FENWICK NOTED THAT SHE HAD OPPOSED RETURN OF THE CROWN BUT SUPPORTED THE TRADE AGREEMENT AS AN INDUCEMENT TO FURTHER INDEPENDENT EVOLUTION IN HUNGARY. WEISS PRAISED THE STANDARD OF LIVING, AND THE FREEDOM OF TRAVEL AND RELIGION WHICH HE SAID HE HAD EXPERIENCED FIRST-HAND DURING HIS VISITS TO HUNGARY. BINGHAM ALSO SPOKE IN SUPPORT OF THE AGREEMENT.

6. EXCERPT FROM CONGRESSIONAL RECORD COVERING THE HOUR-LONG DEBATE BEING POUCHED TO ADDRESSEES.

7. BEGIN COMMENT: THE CLOSE VOTE CAME AS A SURPRISE TO ALL, INCLUDING CONGRESSMEN VANIK AND FRENZEL WHO WERE MANAGING THE RESOLUTION IN THE HOUSE. THE STRENGTH OF OPPOSITION APPEARS TO STEM FROM SEVERAL FACTORS INCLUDING RESIDUAL RESENTMENT OVER RETURN OF THE CROWN, AN OPPORTU-
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PAGE 05 STATE 134089

NITY FOR SOME TO CAST A NO-COST "VOTE AGAINST COMMUNISM"
IN AN ELECTION YEAR, THE FACT THAT PUBLIC AND CONGRESSIONAL
PERCEPTIONS OF HUNGARY HAVE NOT GENERALLY CHANGED VERY MUCH
IN RECENT YEARS, AND, FINALLY, CURRENT PUBLIC DISENCHANT-
MENT WITH THE STATE OF DETENTE. THE DEPARTMENT AND OTHER
INTERESTED AGENCIES WILL BE WORKING CLOSELY WITH SUPPORTERS
OF THE AGREEMENT IN THE SENATE TO ENSURE APPROVAL. ALTHOUGH
HEARINGS HAVE BEEN HELD IN THE SENATE FINANCE SUBCOMMITTEE
ON TRADE, THE FULL COMMITTEE IS NOT EXPECTED TO ACT ON THE
RESOLUTION BEFORE THE SECOND WEEK OF JUNE AT THE EARLIEST.
END COMMENT. VANCE

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